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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

USSR. Pravda prints article by British Foreign Secretary: As a result of a challenge last month by Herbert Morrison, Pravda printed in full and without alteration an article by the Foreign Secretary which highlighted the internal freedoms of domestic British life and briefly explained the UK's policy and aims in international relations. The article was accompanied by a Soviet rebuttal that contradicted Morrison point by point. By agreement the rebuttal was published in full in Britain, appearing in more than twenty morning newspapers. (U NY Times, 1 Aug 51).

Comment: Pravda's unprecedented action may well be part of Moscow's new propaganda line and tactics apparently designed to soften Western anti-Soviet unity. At the same time, however, the publication of propaganda material criticizing the West has not diminished in amount or intensity. There has still been no mention in Soviet media of President Truman's message of friendship from the American to the Russian people sent about a month ago.

Two Soviet cruisers depart from Baltic area: The Soviet cruisers Chapayev and Zheleznyakov were last reported in the Skagerrak early on 17 July after leaving the Baltic Sea. Although no further contact has been established, the ships are believed enroute to the Northern area or possibly the Far East via the Northern Sea route. (S Navy DID 143, 20 Jul 51).

Party units ignore link with masses! At the recent plenary session of the Central Committee of the Byelorussian Communist Party, the Minsk Provincial Party Committee was "justly" criticized for its lack of initiative and its inability to organize farmers and machine tractor station workers for the purpose of raising the province's agricultural output. Party units were once again warned to develop the "creative initiative" of the masses and to make the widest possible use of every labor-saving device. The meeting was reminded that a party worker whose link with the masses is "feeble" cannot successfully discharge the tasks entrusted to him. As an example of this, the speaker cited the case of the Magnitogorsk Town Party Committee, which weakened its link with the primary party organizations by frequently ignoring the valuable initiative derived from below. While the party organization at the Magnitogorsk Metallurgical Works was reported to have achieved excellent results in implementing the State Plan, the Town Party Committee was criticized for insufficiently studying and applying the "considerable" experience amassed by this organization. (R FBIS, 31 Jul 51).

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Comment: This is another example of the constant struggle of the Soviet Communist Party to increase agricultural production by attempting to overcome the apparently permanent sluggishness of the disinterested agricultural worker.

EASTERN EUROPE. FINLAND. Formation of new cabinet postponed until September: The Finnish Government has confirmed reports that the formation of a new Cabinet will not take place until after the Diet reconvenes in September. All parties except the Communists supported the decision to delay the Cabinet reshuffles, which has become necessary because of changes in party strength in the Diet resulting from the national elections of 2 and 3 July. (R-Helsinki 61, 29 Jul 51).

Comment: The Diet recessed on 31 July. Postponement of the formation of the new Cabinet was probably due in large part to the incumbent government's desire to complete its study of new inflation control measures. This delay will also permit more time for inter-party discussions concerning the composition of the new Cabinet and the best means for continuing to keep the Communists out of the Cabinet.

POLAND. Indictment of former Army officers lays emphasis on national deviation: The indictment of nine former senior Polish Army officers on trial in Warsaw emphasizes their alleged efforts to create a "Titoist Fascist regime" in Poland and to a lesser extent their criminal, subversive and espionage activities for the US and UK. The indictment accuses former Polish Communist Party Secretary Gomulka and ex-Minister of National Defense General Spychalski of protecting these officers. It also associates the defendants with other Polish national elements, including former Socialists, the Mikolajczyk Peasant Party and the wartime partisans who have been brought to trial in recent years.

The US Embassy in Moscow reports that the Soviet press has given the indictment a build-up comparable to that accorded the Rajk trial in Hungary in 1949. The embassy points out that the trial may be intended to underline Molotov's recent warning against national deviation. (R Warsaw 510, 30 Jul 51; C Moscow 176, 31 Jul 51).

Comment: Although the majority of the defendants were arrested or disappeared during 1949 and 1950 when the Polish Army underwent extensive purging of politically suspect officers, this is the first public trial of Polish Army officers. It is the first time since the fall of 1949, when Poland's leading deviationists Gomulka and Spychalski were publicly denounced for Titoism and demoted, that national deviation has been attacked with such vehemence. The extent of play given the problem of

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national deviation suggests again, as did Molotov's recent speech, the strong Soviet preoccupation with this weakness on its strategic European periphery.

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SECTION 2 (EASTERN)

NEAR EAST. Concern expressed over increase in Communist activity: The Secretary General of the Arab League is "alarmed" over the vigor and violence of Communist propaganda, especially in Egypt, within the last month. He noted that all the propaganda was directed against the US and wondered if Washington were aware that the Communists "are shooting the works" in the Near East.

The Yugoslav Minister in Cairo also expressed concern to the US Ambassador about the trend of Communist propaganda within the past month. He believes that "a lot of money is changing hands." (S Cairo 135, 31 July 51; C Cairo 136, 31 July 51).

Comment: Isolated fragments of information indicate that Communist efforts in the Near East are being stepped up: (a) [redacted] that a Communist demonstration, involving 50 people, and believed to be preliminary to a larger one scheduled for 3 August, was held in Baghdad on 30 July; (b) plans are being made for a Middle East Peace Congress to meet at an undetermined time and place; (c) a sizeable delegation of students from Syria, Lebanon, and Iraq are on their way to the World Youth Festival in Berlin; (d) it is suspected that the Communist press in Egypt is subsidized by the Soviet Legation. In addition, events in the Near East, such as the Anglo-Iranian oil crisis and the assassination of Abdulla, offer the Communists ideal focal points for propaganda.

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GREECE. Shifts occur in Greek Cabinet: Following the dissolution of Parliament on 28 July and the scheduling of national elections for 9 September, the King appointed four non-partisan ministers to the key electoral posts of Justice, Interior, National Defense and Governor General of Northern Greece. There has been some shifting of less important ministries: among Prime Minister Venezelos' Liberals, but economic posts remain in the same hands. (U Athens 552, 31 July 51).

Comment: It is believed that the appointment of non-partisan men to key electoral posts will provide sufficient assurance of impartiality. Perpetuation of Venezelos' government should do a great deal toward providing much needed continuity in economic policy.

JORDAN. US Minister optimistic about future of Jordan: The new Jordanian Prime Minister has impressed the US Minister in Amman with his serene and statesman-like attitude toward his country's future problems. The US representative feels that if hostile or ambitious neighbors can be deterred from interfering, Jordan will remain a friend of the West and an

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element of political and military stability in the Near East. The Prime Minister has told him that he fears that the Mufti's men, in conjunction with the Communists, might capitalize on economic distress induced by the current drought to create disorders which his Arab neighbors would utilize to intervene in Jordan. The Prime Minister stated that he would not perpetuate Abdullah's plan for a Greater Syria and dismissed the idea of a union with Iraq. He promised that his government would enforce strict observance of the armistice agreement with Israel but would not continue Abdullah's policy of seeking bilateral settlement with Israel.

The US Minister suggests that UK-US high level policy talks might be held to ascertain British views on continued financing of the Arab Legion, the possibility of a major expenditure for military base expansion, and the extension of bilateral economic aid. (C Amman 51, 31 July 51).

Comment: Tawfiq Abul Huda has been prime minister twice previously and is widely respected as an astute politician. He is known to be a close friend of the British Minister, whose guidance will be sought and generally followed on major problems. His government is expected to be short-lived, as previously scheduled general elections will be held on 29 August. With the convening of Parliament, which will contain a large number of Palestinian Arabs, a more volatile political situation will exist. Abdullah had trouble with the Arab Palestinians and there is no available replacement for his firm hand. The situation will be touchy; but if the present calm can be maintained until after the elections, the anticipated internal confusion may not materialize.

INDONESIA. Government remains firm in denying entry to Chinese Embassy personnel: Despite a blast from the Peiping radio charging a violation of international law (see OCI Daily Digest, 31 July 51), the Indonesian Government continues to stand firm in denying entry to 16 additional staff members of the Chinese Communist Embassy in Djakarta. The Secretary General of the Foreign Office delivered a strong statement to the press charging that this is the third occasion the Chinese Embassy has acted without prior authority and has violated diplomatic courtesy. Two leading Djakarta newspapers editorially backed the government's stand, reviewing the unsatisfactory aspects of Indonesian-Chinese diplomatic relations. (C Djakarta 148, 28 July 51).

Comment: The Indonesian Government's stand on the matter continues to be based more upon what it considers a diplomatic insult than upon its concern over Chinese Communist activities. However, the episode has highlighted Communist China's diplomatic procedures and may result in a sterner attitude on the part of Indonesia toward the Chinese Embassy's activities.

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INDONESIA. Criticism of cabinet continues: Grave criticism of the current coalition cabinet was voiced by leaders of two of the government's supporting parties during the past week. Tadjuddin Noor, parliamentary leader of the Greater Indonesian Party, stated that his party would withdraw its representatives from the cabinet unless there is noticeable improvement by the end of August. Engel, leader of the Democratic Faction, declared that the cabinet should be replaced by experts under the leadership of a "strong man"—preferably Vice President Hatta.

A cabinet spokesman subsequently told the press that in order to strengthen the government, all important decisions will henceforth be referred to "consultation party councils" before they are implemented. Pedoman, the independent Socialist daily, commented that this procedure may help if prime consideration is given to the government's basic ills, but that if attention continues to be focused chiefly upon the various parties' relative positions in the cabinet, there is little hope for improvement. (C Djakarta 148, 28 July 51).

Comment: The current cabinet is largely composed of men lacking in ability and experience. Although the government has a solid majority in parliament which would permit it to take decisive action, it has taken no effective steps toward the achievement of law and order, increased production, or the control of Communist activity. Should the cabinet fall, a "strong man" government, although technically unconstitutional, might be arranged.

MALAYA. Lack of success in suppressing Malaya's rebels reported: During a recent tour of northern Malaya, the US Consul in Penang was told by prominent British administrative and security officials that no end to the emergency is in sight so long as the Communist-led terrorists retain hope of eventual aid from outside Malaya. The officials are hopeful, however, that efforts to cut off the rebels' food supply and an increase in the home guard will decrease their numbers. It is not expected that the now neutral mass of Malayan Chinese will turn against the terrorists until it is quite clear that the West is winning the world power struggle. (C Penang unnumbered 31 July 51).

Comment: Lack of success by the British in their campaign to destroy the 4,000 to 5,000 insurgents has been interpreted by US officials in Malaya as the reason for the intended resignation of Lt. General Sir Harold Briggs, Director of Operations. The General, who devised the "Briggs Plan" to exterminate the rebels, was put in charge of its execution. If the plan had been proceeding successfully, he might have been expected to continue in command.

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BURMA. Increased smuggling to China reported: The US Embassy in Rangoon has been reliably informed that the smuggling of tires, auto parts, gasoline and oil from Burma to China is increasing. The Burmese Foreign Office, when approached on the matter, assured the embassy that additional measures for the restriction of smuggling and the enforcement of the Burmese Government's policy of non-reexport of scarce commodities were being considered. (S Rangoon 127, 31 July 51).

Comment: This information provides further evidence of Chinese interest in exploiting Burmese sources of supply. The general disorder that prevails in Burma, as well as widespread corruption among officials and indifference to the smuggling problem, will prevent the establishment of an effective control system in the near future.

Retention of Ne Win as C-in-C predicted: The US Military Attaché in Rangoon believes that neither Defense Minister U Win nor the Socialist Party can force C-in-C Ne Win to relinquish his post. The MA thinks that Ne Win, upon his return from vacation, will be more amenable to governmental policies than heretofore. (S MA Rangoon 80, 27 July 51).

Comment: Although it seems unlikely that Ne Win would fight to retain his job, the Socialists are at a loss to name a generally acceptable replacement and probably will allow him to continue in office.

Burmese reconsidering Japanese treaty: The Burmese Foreign Minister told US Ambassador Key that his government is reconsidering its rejection of the Japanese Peace Treaty, and that a final decision will be reached in the next two or three days. (S Rangoon 132, 31 July 51).

Burmese labor organization joins WFTU: The World Federation of Trade Unions has accepted the application for membership, effective 1 July, of the Burma Trade Union Congress, the labor instrument of the pro-Communist Burma Workers and Peasants Party. (S Rangoon 115, 27 July 51).

25X1C CHINA. Organizational overhaul of the Chinese Communist Party urged: A [redacted] Liu Shao-ch'i, the CCP's organizational specialist, at a Party conference in April "urged an organizational overhaul" of the Party "to remedy the general decline in quality" of Party membership. The overhaul was ordered to begin on 1 July 51 and is to be completed by the end of 1953. [redacted]

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Comment: This report is unconfirmed but is supported by the May Day 1951 statement of Peng Chen, Secretary of the Peiping Committee of the CCP, which promised a "systematic and complete reorganization of the Party." Liu Shao-ch'i would be the logical man to announce and supervise such an effort. The CCP has expanded almost 600 per cent in six years; its 5.8 million members are of uneven quality, and a continuing purge is to be expected.

Continued "reign of terror" reported in Shanghai: A British national who left Shanghai on 26 July reports that the city's "reign of terror has not abated," and that

- (a) An estimated 200 to 300 people were being executed daily up to the date of source's departure;
- (b) Both Chinese and foreigners are "thoroughly intimidated," fearing arrest at the " slightest misstep";
- (c) Nearly all British residents now wish to leave the city; and
- (d) Nothing has been heard from three Americans imprisoned in Shanghai, while a fourth, Dilmus Kanady, is seriously ill and will be reincarcerated if he recovers. (C Shanghai 415, 31 July 51).

Comment: With the possible exception of the execution figures, this report is probably true.

Polish vessel to carry Ceylonese rubber to Communist China. The Polish merchant ship Kilinski is expected to call at Colombo in mid-August to load up to 3,000 tons of rubber for Communist China. Credit facilities to finance the major part of this shipment have already been arranged. The Ceylonese prime minister indicates that nothing can be done to prevent the rubber shipments. (C Colombo 58, 30 July 51).

Comment: There had been reports that the Communists would have difficulty arranging for shipping space because of the inability of Polish vessels to get needed bunker fuel. Apparently, however, the Poles have arranged for the necessary bunkers. The statements of Ceylonese officials suggest unconcern about rubber shipments to Communist China, despite earlier expressions of a desire to cooperate with the US in this matter.

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The USSR and Stalin omitted from Chinese Army Day slogans: The 18 slogans approved by Peiping for public use on Chinese Communist Army Day (1 August) make no mention of either the USSR or Comrade Stalin. In contrast, the 35 slogans for Army Day in 1950 included one exhorting "support" for the USSR and one wishing long life to Stalin. (R FBID, 29 July 1950-51).

Comment: The omissions from the slogans, plus Chinese Communist studies published on the CCP's 30th anniversary (1 July), have been cited as evidence of "serious trouble" between Moscow and Peiping. Neither the slogans nor the documents support such a conclusion. On the contrary, the document--analyzed at length in the OCI Bi-Weekly Survey of International Communism, 10 July 51--strongly indicate that the earlier divergence (1920-35) between Mao Tse-tung and the Kremlin has been repaired over the past 15 years. There have been inconclusive indications, in the past two weeks, that Moscow and Peiping, contemplating the adoption of a superficially conciliatory line toward the West, may be encouraging speculation that all is not well with the Sino-Soviet alliance.

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Korean cease-fire proposal explained: [REDACTED] 25X1C
view of a Chinese Communist official that the Korean cease-fire proposal resulted from Peiping's realization of Communist inability to win the war without air support and Chinese inability to provide pilots for Soviet-supplied planes. The Peiping regime reportedly was unwilling to subject itself to an "endless drain" in Korea, while Moscow was unwilling to provide the requisite Soviet pilots. [REDACTED]

Comment: It is not known whether this report is based on information or speculation. The pilots of jet planes encountering UN aircraft in Korea have not been positively identified but have been reported to be Soviet. However, Communist air operations in Korea to date have been primarily defensive, not of a nature or scope appropriate to an effort to expel UN forces from Korea. It is possible, and has been reported by many sources, that Soviet unwillingness to provide either the materiel or the personnel for an offensive operation was a major factor in motivating the cease-fire proposal.

KOREA. Communists hint at local offensives during negotiations: The Communist delegation at the Kaesong Conference meeting of 28 July stated that due regard must be given to military realities which the present battle-front situation does not reflect. The Communists added that battle lines are constantly changing and could change even during the present negotiations. (S Outgoing State Circular 92, 31 July 51).

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Comment: A 31 July PANA report from Kaesong claims that Communist newsmen hinted obliquely that their side might have to use force to break the stalemate, in view of the adamant UN stand. General Peng Teh-huai allegedly advised the UN in a 1 August broadcast to accept the Communist terms or be exposed to "a fatal danger."

It has been obvious for some time that the Communists have the capability of launching at least local offensives. It must be recalled, however, that Communist propaganda was very threatening immediately prior to the Communist agreement to drop from the Kaesong agenda the issue of foreign troop withdrawal.

JAPAN. Government plans to decontrol staple foods: The Japanese Government has received "fundamental agreement" from SCAP to decontrol staple foods (rice, wheat, barley), effective in April 1952, according to the Japanese news agency "Kyodo." (R FBID, 31 July 51).

Comment: Abolition of the decade-long control over price, collection, and rationing of cereals has been a major objective of the Liberal Party, which is wedded to a concept of "free economy." Agitation toward this end commenced during early 1950, when world food supplies appeared ample to assure Japan of its needs. However, under present conditions--sharply rising world food prices, tightening of world grain supplies, and the shipping shortage, combined with inflationary conditions in Japan--the wisdom of food decontrol is highly questionable. The dangers inherent in an inequitable distribution of inadequate rice supplies have been amply demonstrated in Japan's history and would be intensified with the present, less-regimented population.

Plan for non-partisan peace delegation fails: The Japanese Government's plan to send a non-partisan Japanese delegation to the peace conference has failed, according to the Jiji news agency. Prime Minister Yoshida announced that the delegation will be composed of state ministers and others whose appointment does not require Diet approval; therefore, an extraordinary session of the Diet will not be called. (R FBID Ticker, 1 Aug 51).

Comment: The Socialists had already refused to participate on grounds of policy; the People's Democratic Party, although previously supporting the government on foreign policies, reportedly refused to participate unless the draft treaty could be debated at a Diet session prior to the conference--something which Yoshida feared would have unfortunate consequences abroad. Failure of the opposition parties to participate will force the Liberal Party to accept the full brunt of expected political attacks based on the treaty, and may create scepticism among some of the signatory nations.

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Dollar clause abolished in sterling area trade agreement: A new sterling area-Japan trade agreement, now being drafted as the result of a recent conference between representatives of Japan and the UK, reportedly abolishes the clause which provided for settlement of adverse trade balances in dollars. (R FBID, 31 July 51).

Comment: Removal of the threat of a dollar drain very likely will increase Japan's trade with the sterling area. Japan has been reluctant to place too great emphasis on sterling trade, however, fearing the accumulation of sterling balances which could not be used in making dollar purchases. Japan also recognizes that the sterling area is unable to supply Japan's needs for foodstuffs, coking coal, cotton, and iron ore, and is therefore hesitant in diverting exports from the dollar to the sterling area.

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SECTION 3 (WESTERN)

WESTERN EUROPE. Widespread opposition in NATO to US position on possible September Council meeting: Further discussion in the NATO Deputies' meetings of the proposal to hold a Council meeting at Ottawa on 15 September has led to sharp disagreement between the US and most of the other NATO members. Many members believe the presence of the Defense Ministers is essential for a decision on Greek and Turkish membership in NATO. The UK, with Dutch, Norwegian and Danish support, insists that a decision on the Middle East command structure be reached concurrently. The French are in general agreement with the US in opposing these views and desiring definitive action on basic questions such as the proposed European Defense Forces and agreements on Germany. The French join the Norwegians and the Dutch, however, in preferring to abandon the proposal for a September meeting. The majority of the members oppose any serious consideration of the German question or of additional steps for financing the defense effort, and favor giving primary attention to the non-military aspects of NATO problems aside from the admission of Greece and Turkey. (S London 138-139, 31 July 51)

GERMANY. Embassy Moscow believes USSR is showing restraint in Berlin: US Embassy Moscow, commenting on the Berlin trade impasse, considers that the USSR is anxious to avoid showing itself in an openly provocative attitude at a time when "the peaceful coexistence repertoire is playing in other theaters of operation". The Embassy bases this judgment on the cautious Soviet approach to the Berlin issue, the sporadic willingness to negotiate with the Allies, and the lack of Soviet propaganda emphasis on the situation. The Embassy feels, however, that the Kremlin hopes to profit from even soft-pedalled tactics in Berlin, as long as the West refrains from taking stringent action. Embassy officials endorse the plan for a limited Allied airlift, including military planes, as a practical means of easing the present West Berlin export backlog and demonstrating to the Politburo the mass and flexibility of Allied air-power.

The State Department meanwhile recommends a considerable extension of the present partial embargo of West German shipments to East Germany. Although conceding that French objections might preclude the complete termination by the Allies of interzonal trade, the Department urges that at least shipments of all essential and strategic goods to East Germany should be halted, in an attempt to damage the East German economy and force Soviet capitulation. (S Moscow 167, 30 July 51; S State to Frankfurt 807, 31 July 51)

Government bans second Communist front organization: On 29 July the West German Government banned the central council of the Communist front

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Victims of Nazi Persecution (VVN) under Article 9 of the Basic Law which prohibits associations directed against the constitutional order. The ban stems chiefly from the VVN's continued support of the Communist anti-re militarization plebiscite in defiance of the government's 26 April prohibition of the plebiscite. The local organizations of the VVN are not affected by the ban of the central council, but the federal government has requested the state governments to take appropriate prohibitive action if the local VVN groups continue to follow the policy of the central council. (R Bonn 75, 31 July 51)

Comment: The VVN was formed in early 1947 on a non-party basis, but as it became more and more Communist penetrated and controlled, it was discredited and lost much of its influence in West Germany. The government's ban of the VVN follows similar action against the Communist youth organization on 26 June.

New maps are being made with Soviet symbols: HICOG Frankfurt has learned that the East German Government has been conducting a field check of the basic German maps of the zone, and is providing them with the Russian conventional signs and symbols. To execute this program, a central surveying office (VVB Vermessung) was established in January 1951. (C Frankfurt Desp. 3904, 12 June 51)

Comment: Probably the Soviet occupation authorities have ordered the making of these maps. In other Satellites, the USSR itself has completely usurped the mapping functions.

FRANCE. Fears of German militarism rekindled: All elements of the Paris press have reacted violently to former German General Ramcke's speech calling for a free German hand in military matters and the release of war criminals. Most commentators consider Ramcke's proposal to rearm Germany only upon satisfaction of these demands a threat of a renewed, unregenerate Hitlerism. They are particularly disturbed because the Bonn government permits such rabble-rousing and has failed to take a stand on the war-criminal question. There is unanimity of opinion that both the reintegration of Germany into Europe and the Schuman Plan are endangered unless German good-will is forcefully demonstrated. (U Paris 681, 31 July 51)

Comment: Ramcke was recently released from a French war prison. His remarks upon his return to Germany have been a source of embarrassment to the government, as in the earlier case of a former German general returned from Belgium.

Incidents of this kind are apt to have an ill effect upon the French attitude toward German rearmament. The French originally accepted the idea

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of a German defense contribution reluctantly, but have recently had their suspicions lulled by the sincere approach of the German delegation to the European Army Conference. The French are determined to forestall the re-creation of the German General Staff, which would inevitably follow the development of an independent German national army such as Ramcke favors, and any hint that responsible Germans have such a goal will reverse the progress so far made toward Franco-German cooperation.

FRENCH MOROCCO. Juin again reported to be planning deposition of Sultan: According to a nationalist source, Resident General Juin again is attempting to obtain official support for the deposition of the Sultan. This step supposedly will be taken clandestinely and immediately in order to eliminate the possibility of foreign opposition, particularly from the US. Juin is said to be convinced that the outcry from the Moslem states would be ineffectual and belated.

US Consul McBride thinks that Juin would consider the Sultan's removal a great personal victory. Because of the Sultan's outspoken pro-US stand, however, his deposition would be considered a defeat for US prestige throughout the Moslem world. (S Rabat 5, 31 July 51)

Comment: The bitter relations between Juin and the Sultan have not been alleviated since the crisis of February 1951. Although a rightist-oriented French Government conceivably could approve Juin's scheme, such a government is more likely to relieve Juin so that he can devote his full energies to his SHAPE command, and to assign to Morocco another strong military commander in an attempt to make peace with the Sultan.

There is an increasing realization among French officials in Paris that the dangers inherent in antagonizing the Moslem world outweigh the dubious advantages of ousting the Sultan. While Juin has ample force to suppress any disorders that might follow his removal of the Sultan, such disorders would provide the Communists with an opportunity to exploit the situation.

AUSTRIA. Soviet paper attacks US High Commissioner: After weeks of charging that the new US military camp at Salzburg constitutes a fortification, and in reaction to US High Commissioner Donnelly's accusations of Soviet stalling on the Austrian treaty, the Soviet official paper Oesterreichische Zeitung took the unprecedented step of attacking Donnelly personally in a long editorial on 29 July. The paper called Donnelly's remarks on the treaty issue "hypocritical", "calumny of the Soviet Union", and "babble designed to deceive public opinion". The article used many arguments to show that the US is converting Austria into a "military bridgehead and source of raw materials", and concluded that the facts clearly demonstrated "who is the real culprit" in denying Austria a treaty. (U. Vienna 374, 30 July 51)

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Comment: The incident illustrates the usual sensitivity of the USSR to charges that it is responsible for blocking the treaty.

NORWAY. Shortage of military personnel may delay MDAP deliveries: The US Ambassador and the Chief of the Military Assistance Advisory Group (MAAG), Norway, have recommended postponing delivery of the major portions of MDAP material until the Norwegian Defense Ministry has made plans to procure sufficient regular personnel to maintain and utilize US equipment adequately. In the interests of good relations with Norway, however, the Ambassador feels that the MDAP Committee of the Norwegian Cabinet should be informed before such action is taken. Also, he believes that if the Cabinet is apprised of the full significance of the recommendation and is shown the need for substantial increases in regular personnel (which has repeatedly been pointed out to the Defense Minister), the government may take the necessary corrective measures. (S London DEPTO 132, 30 July 51)

Comment: The factor of adequate regular personnel is the heart of the problem of building up and improving the Norwegian military forces. The hietoric Norwegian military concept of a mobilizable force with only a small percentage of regulars causes both Norwegian military and civilian officials to react sensitively to proposals that the regular military establishment be geared to standards determined by other NATO countries. Procurement of personnel, moreover, is made difficult by an extremely low pay scale for regular officers and NCOs and by a very tight labor market in Norway. The Defense Minister has taken a somewhat negative attitude toward MAAG and NATO efforts to have Norway begin expansion of its regular force; no change is likely unless officials outside the Defense Ministry are made aware of MAAG appraisals that Norway currently is incapable of utilizing MDAP equipment and has no adequate plan for fulfilling its Medium Term Defense Plan contribution. (see OCI Daily Digest, 17 July 51)

UNITED KINGDOM. Britain sharply protests Nehru's charges against British generals. Indian Prime Minister Nehru has rejected a formal British request to withdraw his recent insinuation that retired British Generals Auchinleck and Gracey have been advising Pakistan in the preparation of military plans and operations directed against India. The UK protest in New Delhi followed an investigation by British officials who reportedly obtained a satisfactory account of the recent activities of both officers. In indirect response to Nehru's rejection, Prime Minister Attlee subsequently stated in Parliament that he greatly regretted Nehru's lending the weight of his authority to such unfounded allegations. (S New Delhi 417, 30 July 51; U FBIS-London radio, 1 Aug 51)

Comment: Britain since 1947 has striven to maintain an attitude of complete impartiality in all military matters affecting India and Pakistan,

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in order to avoid arousing antagonisms which might place added strain on the Commonwealth ties of the two countries, and which might doom any hope of eventually developing their defensive capabilities in line with Britain's over-all strategy in South Asia. The present incident, occurring at a time of serious tension between the two Asian countries, justified official action on the highest level. No evidence has been received that Auchinleck and Gracey have recently been consulted by the Pakistani high command, although both were employed by Pakietan before retirement, and both have recently been accessible to the Pakistanis for advice.

ECUADOR. Revolutionary plots against the Ecuadoran government: Carlos Guevara Moreno stated on the night of 26 July that Minister of Defense Manuel Diaz-Granados is making preparations for overthrowing the government, probably within the coming week. He further stated that he would permit Diaz-Granados to stage the coup, but he, Guevara, would then lead his own followers in a counter-movement. [REDACTED] Guevara will [REDACTED] initiate action between 7 and 10 August, followed by a Diaz-Granados-led counterrevolution. [REDACTED]

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Comment: Political conditions in Ecuador remain unstable, and reports that a revolution has been scheduled have been received on the average of one a month for the past seven months. The two currently most important revolutionary groups are led by Carlos Guevara Moreno and Minister of Defense Manuel Diaz-Granados, either of whom would set up a dictatorship should he come to power. Two recent events suggest that chances for the initiation of a coup by either group are slightly better now than they have been for some time. On 24 July Guevara Moreno (who had been in prison for over a year for leading a revolution in July 1950) was released on bail. He is therefore again able to assume personal leadership of his revolutionary group, which has remained organized and active during his confinement. On 16 July Minister of Defense Diaz-Granados presented his resignation "for reasons of ill health". Upon President Plaza's request, he agreed to withdraw the resignation, but took a 30-day "sick" leave in Guayaquil. It is probable that in this period Diaz-Granados is attempting to increase his following in Guayaquil, the region in which Guevara's strength is concentrated (see OCI Daily Digests, 18 and 31 July 51).

MEXICO. Formation of leftist anti-administration campaign coalition reported: The Popular Party of Vicente Lombardo Toledano will join the Federation of People's Parties of Mexico (FPPM) in the support of General Miguel Henriquez Guzman as presidential candidate, according to a Mexican news service transmission. The FPPM, however, is reported to be "officially silent" on the pact which it "will conclude" with the Popular Party. (R FBIS, Mexico City, 31 July 51)

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Comment: This unverified report may represent an attempt to discredit the Henriquez movement by associating it with pro-Communist and Communist elements in Mexico led by Lombardo Toledano. Nevertheless, Henriquez (a wealthy business associate of former leftist President Lazaro Cardenas) relies on militant agrarian and labor elements for support. In the present presidential campaign, as an independent anti-administration candidate with well-organized local supporters and some army backing, he represents a significant political influence. It is quite possible that Lombardo would favor Henriquez above other candidates, though it seems doubtful that Henriquez would benefit at this time from Lombardo's support.

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SECTION 2 (EASTERN)

NEPAL. Chinese Communists desire to open embassy in Nepal: The Nepalese Ambassador to India has expressed his government's concern over the Chinese Communists' desire to open an embassy in Katmandu. The Nepalese Government is faced with two choices: to display no interest in the opening of an embassy and consequently expose itself to a possible Chinese revival of the debatable question of Nepalese sovereignty; or to agree to establishment of an embassy, thereby obtaining Chinese recognition of Nepal's independent status but at the same time enabling the Chinese to make the embassy a center for subversive activities. (S S/S New Delhi 395, 28 Jul 51)

Comment: Regardless of the action taken, Nepal probably will be unable to prevent the infiltration of Communist elements from Tibet and India. Both the nature of the terrain and the absence of firm government control outside the capital make it difficult to detect and limit the activities of undesirables, some of whom are already operating in Nepal.

INDIA. India rejects proposed Burmese-Indonesian mediation: The Burmese Ambassador to Pakistan on 28 July revealed to the US Ambassador his government's plan to propose that the Prime Ministers of Burma and Indonesia jointly visit New Delhi and Karachi to offer their good offices toward easing the tension between India and Pakistan. Two days later, however, the Burmese envoy stated that although the Pakistanis and Indonesians were favorably disposed toward the project, it had been rejected by Nehru. (S S/S Karachi 109, 31 Jul 51)

Comment: Burma's concern over tension between India and Pakistan was evidenced last week by the visit of the Burmese Foreign Minister to New Delhi to inquire if his government could help solve the impasse on Kashmir.

India's rejection of the mediation offer undoubtedly derives partly from a fear of losing face through mediation by two nations it looks upon as "satellites." More importantly, however, India's refusal reflects a confidence in its ability to maintain independently its present power position vis-a-vis Pakistan and the United Nations, as well as a belief that its current actions will not lead to open warfare with Pakistan.

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SECTION 2 (EASTERN)

1. EGYPT. Foreign Minister exploiting British treaty issue for domestic purposes: The internal policy of the Wafd Government has been a failure, according to the Egyptian Foreign Minister. It has carried out none of its purposes and much corruption and inefficiency still exist. He admitted that in order to divert attention from domestic failures, the Wafd had been over-exploiting its differences with the UK. Given the state of Egyptian public opinion, which he admits the Wafd has created, the Foreign Minister feels he can follow none but the present policy regarding British evacuation of the Sudan and the Suez Canal Zone. Therefore, before the end of the parliamentary session he must make a statement that there is no use continuing the negotiations. The Foreign Minister also stated that whether or not the negotiations were continued, he felt that the opposition should be included in the government. No other members of the government share this opinion. The British Ambassador feels that when the above remarks were made, the Foreign Minister had no knowledge of the King's message that the negotiations should not be broken off. (TS S/S Cairo 134, 31 Jul 51).

Comment: These admissions by the Foreign Minister do not encourage optimism over the future of the negotiations. Regardless of what action may be taken before the Egyptian Parliament adjourns in mid-August, some statement about the treaty will have to be made in the speech from the throne at the opening of the next parliamentary session. Public criticism of the treaty, which has been fostered by the government, could force denunciation of the treaty.

SECTION 3 (WESTERN)

2. PANAMA. Promulgation of decree on shipping delayed. Efforts to broaden the decree on shipping under the Panama Flag so as to prohibit all calls in Communist China or North Korea were reportedly well received by President Arosemena, but have apparently caused delay in its promulgation. Ambassador Wiley reports that opposition to broadening the decree is partly based on the argument that the ships affected would change to Honduran or Liberian registry, thus depriving Panama of revenue. (C Panama City 71, 31 Jul 51; C S/S State to Panama City 57, 31 Jul 51).

Comment: On 29 July, a Panama decree penalizing ships under its flag which carry strategic materials to Communist China or North Korean ports was approved by the President and Cabinet, and the signature of President Arosemena was expected on 30 July. If the decree should be broadened to forbid all calls at these ports, it would somewhat curtail smuggling of contraband goods, would eliminate disputes as to the definition of contraband, and

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would hinder the acquisition of shipping by the Chinese Communists. While ships affected by the more comprehensive decree might well transfer to some other Western flag, Honduran registry would be relatively unattractive since a Honduran government order in January 1951 prohibited Honduran vessels from entering ports of Communist China.

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